

ESHENBAUGH *Report*

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"Inside the Pound"

Wall Street Woes Affect Commercial

The market difficulties we have experienced with the residential land transactions have spread to the commercial sector. This started last August and now the capital markets have tightened the money for development of apartments in Florida. The view as we hear it is that the New York investors believe Florida is suffering from higher vacancies and lower rents. Part of the problem is that a vast number of investor owned condominiums, townhouses and single family homes have flooded the market as rentals while the owners try to sell them. Consequently, only the choice apartment locations in the best markets are getting financed while

secondary or tertiary markets present more risk than they will take.

At the same time, almost 300 applications have been filed with the State of Florida for tax credits and SAIL funding for government assisted rentals. While major State budget cut considerations are underway, Speaker Marco Rubio's position is that he may not be able to support any affordable housing funding by the State. As a result, the apartment market in the next few months may see a significant tightening as more people are forced to rent and fewer new units will be added to the supply. Adding to the woes of apartment developers are municipalities that have raised their impact fees on apartments to more than \$12,000/unit (in some cases that is more

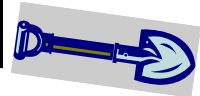
than the cost of the land). These combined pressures are curtailing apartment development so we are working with our sellers to find other ways to make their sites more likely to be financed.

On the retail front, the frenzied pace of development has slowed and is now reflecting the woes of the residential market. For 2008, the focus will be more on in-fill and redevelopment than on "green" sites in the more suburban areas.

The industrial segment of the market seems to be in the best balance with little or no over-supply and good rents. Although the land prices likely peaked in 2007, they may be declining slightly in 2008 after a big run-up from 2002 to 2006.



Town Center Mixed Use



This award winning TND new urbanism community is located in Northwest Hillsborough County on Race-track Road.

It has been rezoned for up to 275 apartment units and 116,000 square feet of retail along with 10,200 square feet of office potential.

The site is vested for traffic concurrency and has master drainage and retention of storm water.

The property is priced at \$8,900,000 but we will sell separate components including a lakefront location for live-work units and retail.

Contact Ryan Sampson, ALC, CCIM (813)287-8787 ext. 4.



Location on Racetrack Road

By Donamae Clinebell, President

Stalwart Capital

News within the Capital Markets continues to be of great concern. Although treasuries remain relatively stable at 2.57 for the 5 year treasury and 3.47 for the ten year treasury (as of 4/11/08), spreads continue to rise causing an increasing cost of debt and much more conservative underwriting than experienced not even 12 months ago. "Overall, we find that the property, origination and securitization markets look to be quickly searching for a new equilibrium," the weekly J.P. Morgan report said. "Cap rates are generally on the rise as buyers dominate the terms and the loans currently being originated are being held to rapidly tightening standards." Per the report, heightened spread volatility has made loan underwriting extremely difficult for CMBS originators. Cash and synthetic spreads in the first quarter of this year have reached new "wides."

Per Sam Chandan, chief economist at REIS Inc., New York, "the nature of the senior and equity debt stack has changed the way today's deals are financed". Lower LTV's, higher debt coverage requirements, widening spreads over the treasuries and greater aversion to risk; has significantly impacted the cost of debt, which will impact how competitive investors are going to be in purchasing properties. This trend is expected to remain in effect for the next 12 - 18 months or until the investors feel the market has begun to recover.



Inside the "Dog Pound"

The mantra for 2008 is hard work pays off. We are spending a lot more time on each listing and each transaction as they move forward. Much like the period prior to 2004, many land contracts now get renegotiated and even terminated as buyers move through their due diligence and financing.

The quarter ending March 31, 2008 has been one of the strangest since the late 1980's. Who would have guessed that a venerable Wall Street firm such as Bear Stearns would virtually fold and be picked up for pennies on the dollar?

The capital markets have made it extremely difficult for developers seeking equity from Wall Street sources because their view of Florida is one of concern over our rising

unemployment, insurance costs, and taxation on commercial real estate.

Meanwhile, the so called "vulture funds" have been all over Florida looking for land deals, but the pricing they are willing to pay is back to levels of the 2001-2003 era before the big run-ups occurred.

You may have noticed that we have stepped up our advertising. It is more necessary now than ever to get our listings out there and it is never cheap, but as the old adage goes, "Doing business without advertising is like winking in the dark. You know what you are doing but no one else see's it".

We are also using broadcast emails, pdf packages, color printing, and marketing sessions to make sure our properties are getting a ton of exposure.

Thanks Bill Eshenbaugh,

from

Ryan Sampson, and

Nancy Surak



New Opportunities and Closings

New Listings

- **16.61+- acres apartment site, can handle up to 266 units, located in Bradenton and priced at \$3,500,000; call Bill.**
- **21.5+- acres commercial, in process for seeking approval for up to 240,000 sq. ft. of retail on US 41 @ Southern Hills Plantation in Brooksville; call Nancy.**
- **300 unit apartment site in Lakeland at Bridgewater, I-4 and SR 33 for \$3,600,000 or \$12,000/unit; call Nancy.**
- **4.1+- acres PD-MU permits variety of uses including retail, office. Site is on Shell Point Road, just West of US 41 in Ruskin near significant planned and approved residential sites; call Ryan.**
- **6.4+- acres of buildable industrial in the heart of Pinellas County, vested for traffic concurrency, near Ulmerton Road and US 19; call Ryan.**

Closings

- **Thanks to Centex Homes for the opportunity to represent them on the sale of an apartment site to Phillips Development at the end of March.**

Please call us at 813-287-8787 if we can help with a listing proposal on your property.

Bill Ext. 1, Ryan Ext. 2, Nancy Ext. 3

www.TheDirtDog.com

Featured Properties



Sligh Ave



Williams Road



Fowler Ave



Apollo Beach

Featured Properties

We have 3 apartment sites shown above for sale. They are:

Williams Rd

575 units, 71.4+- acres, Williams Rd. north of MLK, rezoning for office and industrial uses as well

Sligh Avenue

258 unit site, Sligh Avenue just west of US 301, \$16,000/unit

Fowler Ave.—University Ridge

240 units, Fowler Ave. and Williams Rd, east of I-75, \$18,750/unit

Featured Properties

- Apartment Sites
 - *Williams Rd
 - *Fowler Ave.
 - *Sligh Avenue
- Apollo Beach

Paradeso, pictured above is a waterfront site in Apollo Beach that is zoned for 52 condo units. This site sits on the end of Apollo Beach Blvd. and Tampa Bay with great vistas to downtown Tampa. Plans were done for a 48 unit project with a high level of amenities.

The seller will consider a joint venture or seller financing for a qualified developer.

New Residential Offerings



(Park Place Apartment Site)

“Park Place” is an apartment site in Bradenton potentially good for up to 266 units and

priced at \$3,500,000 or \$13,260/unit. The site has good visibility and high traffic in the front of it. Call Bill Eshenbaugh for details.

“Bridgewater” is an apartment site in Lakeland located just off I-4 at the SR 33 exit. The site is just south of First industrial’s park and across the street from the planned USF Polytechnical Campus slated to start in 2009.



(Bridgewater Apartment Site)

This site is part of the Bridgewater community and is approved for 300 units priced at \$3,600,000 or \$12,000/unit. Call Nancy Surak for details.

Eshenbaugh Land Company
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"The Dirt Dog" ©

Unleash The Dog



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Properties For Sale: **Call Bill Eshenbaugh, Cell 727-410-9595 or email: Bill@TheDirtDog.com**

Founded in 1992, Eshenbaugh Land Company specializes in site selection for residential communities, apartment development, assemblage, retail corners, and "hot" trends. For land brokerage, consulting, and specific assignments, please call Bill Eshenbaugh on his cell phone at 727-410-9595.

Bill is a Senior Instructor for the Realtor Land Institute (RLI) and is the co-author of their course "Site Selection".

Bill also teaches *Introduction to Land Brokerage*. Check the www.Rliland.com website for dates and places.

His last class is set for November 2008 for Site Selection and it will be in Orlando, FL.

Bill Eshenbaugh, ALC, CCIM, President, Ext. 1

Ryan Sampson, ALC, Land Specialist, Ext. 4

Nancy Surak, ALC, Land Specialist, Ext. 5

Several residential builders report that their traffic for the first quarter of 2008 has actually improved. It has better qualified buyers who can get financed and are willing to make a buying decision. This is very good news after several quarters of declining traffic. Builders also tell me that they have gone back to the basics of adding more sales training to their sales force, beefing up their customer service departments to provide better customer service, and working to produce a better quality product. They continue to report that buyers are looking for better value for their money, so builders have reduced the size of the floor plans and the extras in order to provide more affordable housing.

We continue to have large investment funds looking for opportunities to buy finished lots, entitled properties, and major MPUD and DRI residential projects although the price expectations of the buyers is at the level of pricing that we had in 2001 to 2003 before the major run up in land pricing. On a daily basis, we are receiving calls from appraisers who are trying to evaluate the values of land in this 2008 environment. At the same time, we have been providing consulting services and broker opinions of value to lenders who are reevaluating their portfolios of land holdings with builders and smaller developers.

The market continues to contract. Recently, Kimball-Hill Homes announced their plans to pull out of Florida altogether by the end of 2008. We anticipate that other builders who are national or regionally based and came here in the run-up market will also decide to leave Tampa as the year progresses.

In the last cycle, almost every national builder decided to start or beef up their land development department. Unfortunately, many of them came to Florida late in the cycle and paid some of the highest land prices. Then were unable to get their sites developed in time for the height of the market in 2005. Today they have land and lot holdings that are in excess to their needs and on their books at values far above today's market value. Many have taken major write downs against big profits in 2005 and will continue to reduce their inventories by selling off assets as we roll through 2008.



My daughter Kristina Chutz was recently featured in the *Tampa Bay Business Journal* for her design of our western themed office. She is an interior designer by trade and has worked for me at Eshenbaugh Land Company for the last 8 years.

Eshenbaugh
 LAND COMPANY
You Can't Stop the Dirt Dog.™